

DEVELOPING INTERNATIONAL ATTACK STRATEGY: THE CASE OF SMARTCARD EXPANSION AT PT CSL

Tahfiqul Hidayah and Mohammad Toha
School of Business and Management
Institut Teknologi Bandung
taufiqul@sbm-itb.ac.id

Abstract—PT CSL is the biggest smartcard manufacturer in Indonesia which has occupied more than 50% of domestic market share. CSL should expand its market abroad to avoid from KPPU regulation related with monopolistic. For competing with global competitors, CSL should position its products and solutions among global manufacturers. CSL should have appropriate attack strategy while entering certain market/segment to fight with existing competitors. Both strategies must be supported international corporate-level strategy to control its business units. This research will give solution for CSL to set up international strategies by analysing its internal strengths-weaknesses and global opportunities-strengths (SWOT analysis). This analysis will also help CSL to determine its strongest position among global competitors. Combining with macroeconomic analysis, CSL could determine its corporate-level strategy and appropriate entry mode. This research used primary and secondary data gathered from questionnaire, interview and macroeconomic analysis. After analysing internal and external environment, CSL could position itself by variety-based positioning and entering with flanking attack into segment/ market which has less presence of market leader. Controlling its business unit abroad, CSL can use global strategy and having joint venture with local or global company to open sales/marketing office in Dubai before IPO. After IPO, CSL could invest by developing production, personalization or R&D facilities in Morocco. Implementing its international attack strategy at this moment, CSL must focus on offering high quality products and solutions in Middle East and North Africa, Middle and South Africa, and/or South Asia. CSL has to find strong partner either from local or global companies which has good market understanding in the region. CSL must have preparation for IPO after EMV and SAS certification, and also implementing timeline plan.

Keywords: SWOT analysis, strategic positioning, attack strategy, international corporate-level strategy, entry mode, five-major elements of strategy

1. Introduction

A company needs an international strategy to enter other country's market. The main objective of employing a strategy is to have a better performance in order to achieve sustainable competitive advantage and return above average. In red ocean competition, especially for smartcard industry, a company could employ some strategies to enter other countries market since there were competitors in every countries aligning with development of telecommunication and online payment.

CSL should have strategic positioning to determine its position among competitors by performing different activities or similar activities in different ways (Porter, 1996: 68). Vasconcellos (2005: 41) has introduced attack strategies to compete with competitors by choosing one of the 6 (six) attack strategies, including Guerrilla, Bypass, Flanking, Frontal, Undifferentiated and Differentiated Circle. Attack strategies can be used to fight with competitors while entering a market/country. CSL also should have international corporate-level strategy for controlling their business unit abroad and also using certain entry mode for certain market/segment/country. Those strategies can be determined by its internal strengths-weaknesses and external opportunities-threats analysis.

CSL should determine how to compete with international competitors while entering certain smartcard market/segment abroad. This research will help CSL in determining its international strategy while expanding their smartcard abroad. The strategies are determined based on quantitative methode (questionnaire), qualitative (interview) and also analysing the global macro-economic. Questions in the questionnaire are determined by its internal strength-weaknesses (value chain analysis) and external opportunities-threats (PEST analysis) combined with related theories of every strategy. It is also combined with interview result which has conducted before the questionnaires.

This research used quantitative and qualitative methodology. Quantitative method is used in choosing the strategic positioning and attack strategy by SWOT analysis. Both are determined by questionnaire data collected from internal management board. Qualitative method is used for determining questions for the questionnaire from interview, PEST analysis, value chain analysis, global macroeconomic conditions. It is also supported by public domain research (printed and web-based). There are some limitations for this research: CSL could not provide specific financial report; no re-confirmation to correspondent about the questionannaire answers; less international sales/marketing people abroad.

2. Business Issue Exploration

To be able to success in a certain market/segment which has big competitors abroad, a company should consider to analysis their external and internal environment, choosing its strategic positioning, attack strategy, international corporate-level strategy, and entry mode. This study will try to detemine what strategies could be occupied by CSL while expanding their smartcard market abroad.

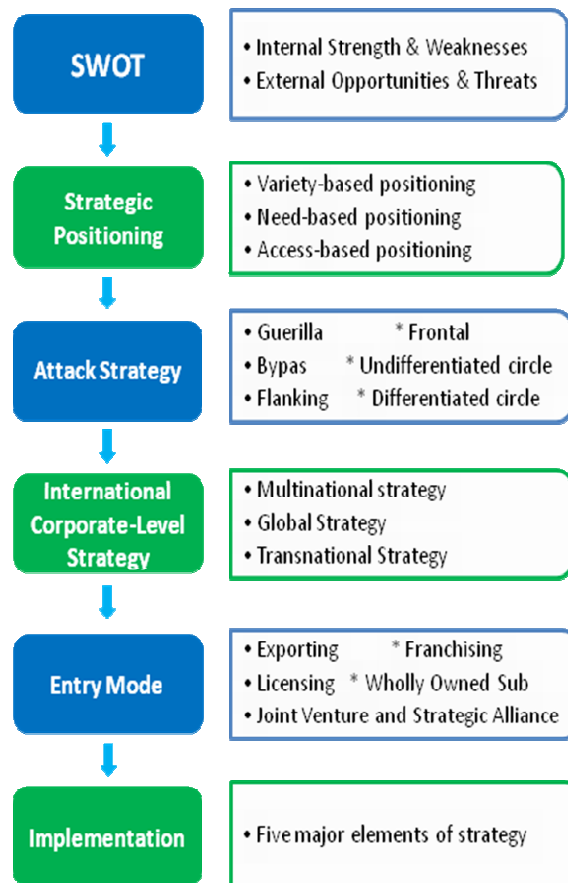


Figure 1. Conceptual Framework

Based on conceptual framework, CSL must determine which strategic position will be used to have strong position among its competitors, either variety-based positioning, need-based positioning or access-based positioning (Porter, 1996: 65). After determining its position, CSL should choose its attack strategy to enter certain market/segment in other country, either Guerrilla, Bypass, Flanking, Frontal, Undifferentiated Circle or Differentiated Circle (Vasconcellos, 2005: 41).

Both strategies also must be supported by its international corporate-level strategy to control its business unit abroad and also choosing appropriate entry mode while entering certain market/segment abroad. Since all strategies has been determined, CSL could analyze, visualized and implement all strategies by using five major elements of strategy from Hambrick & Fredrickson (2005: 54).

3. Business Analysis and Solution

This research aims to develop new strategies regarding with CSL expansion abroad, strengthening the current strategy which only selling smartcard to some buyers in some countries. These strategies are including strategic positioning, attack strategy, international corporate-level strategy and entry mode.

The initial step of this final project is determining strategic positioning, which can be defined by analysing its internal (value-chain analysis) and external environment (PEST). The positioning was based on Porter's strategic positioning (1996: 65), which consist of access-based positioning, variety-based positioning and need-based positioning. Since smartcard was a standardized product, either in develop or poor countries, author considers on 2 (two) strategies: variety-based and need-based positioning. Author will not consider on access-based since customers require same basic specification products.

The next step is defining attack strategy by analysing its external opportunities and threats. Among the 6 (six) attack strategies of Vasconcellos (2005: 41), author will only consider on 2 (two) attack strategies, Flanking and Frontal attack since CSL enter into smartcard market/segment which has its competitors and there will be engagement with the market leader.

Author also analyse what international corporate-level strategy and entry mode could be occupied by CSL for certain market/country. It would be based on market analysis and also internal resources, capabilities and core competencies. Those strategies above would be analyse, visualize, summarize and implement by using five major elements of strategy. There are 12 (twelve) correspondents including CEO, Directors, VP and GM which has influence with expansion plan and policy. Most of them are still under 40 (fourty) years old, which are more dinamic and agresive.

SWOT Analysis

CSL has 5 internal strenghts, 3 internal weaknesses, 6 external opportunities and 3 external threat. Those factors are determined by its internal value-chain and also external political, economic, social-culture and technology factors.



Figure 2. SWOT

Tabel 1. SWOT Analysis

No	Indicator	Average	Weighted
1	S1	4,25	0,063
2	S2	3,92	0,058
3	S3	4,50	0,066
4	S4	3,67	0,054
5	S5	4,50	0,066
6	W1	3,08	0,046
7	W2	3,00	0,044
8	W3	3,50	0,052
9	W4	4,33	0,064
10	O1	3,58	0,053
11	O2	3,67	0,054
12	O3	3,83	0,057
13	O4	4,67	0,069
14	O5	4,17	0,062
15	O6	4,25	0,063
16	T1	2,42	0,036
17	T2	3,17	0,047
18	T3	3,25	0,048
		67,75	1

There are 5 (five) important factors: strong R&D which able to deliver high quality smartcard product, service and solution; high production capacity and low price; weakness from delaying EMV and SAS certification still in progress; high growth on mobile and online payment subscribers and also increasing number of smartcard applications still become the biggest opportunity; the biggest threat is presence of big smartcard manufacturers.

Strategic Positioning

From the Table. 2, every score from every question will be summed to get its average for both positioning strategy. Those scores than multiplied with weighted from SWOT analysis to get it weighted scores. Then it is summed to get total number for each strategy. Variety-based positioning has bigger number than need-based (4,052).

Variety-based positioning will bring CSL to provide various high quality smartcard products/services for telecommunication, banking/payment, IDs, and commerce which better than its competitor abroad. This kind of positioning have possibilities to offer low price products and offering different services. It will help CSL to compete with the big players and increasing its smartcard market share.

Tabel 2. Strategic Positioning

No	Analysis	Weight	Variety-based Positioning		Need-based positioning	
			Score	Weighted score	Score	Weighted score
	Strength					
1	S1	0,063	4,6	0,29	2,7	0,17
2	S2	0,058	4,4	0,26	2,6	0,15
3	S3	0,066	4,8	0,32	3,3	0,22
4	S4	0,054	3,5	0,19	2,9	0,16
5	S5	0,066	4,4	0,29	3,7	0,24
	Weaknesses					
1	W1	0,046	3,3	0,15	2,9	0,14
2	W2	0,044	3,3	0,15	2,9	0,13
3	W3	0,052	3,6	0,19	3	0,15
4	W4	0,064	4,6	0,29	4,1	0,26
	Opportunities					
1	O1	0,053	3,4	0,18	3,2	0,17
2	O2	0,054	4,2	0,23	3,8	0,20
3	O3	0,057	4,2	0,24	4,1	0,23
4	O4	0,069	4,8	0,33	4,3	0,29
5	O5	0,062	4,3	0,27	4,2	0,26
6	O6	0,063	4,5	0,28	4,2	0,26
	Threats					
1	T1	0,036	2,7	0,10	2,8	0,10
2	T2	0,047	3,3	0,15	3,3	0,15
3	T3	0,048	3,3	0,16	3,3	0,16
	Total	1,000		4,052		3,436

Attack Strategy

Based on external opportunities and threat analysis, while entering market with competitors inside, CSL should use flanking attack strategy. High growth on mobile and banking payment subscriber, number of smartcard application and secure smartcard demand will create more opportunities for CSL to develop certain smartcard product/service which will be better comparing with competitors.

Table 3. Attack Strategy

No	Analysis	Weight	Flanking Attack		Frontal Attack	
			Score	Weighted score	Score	Weighted score
	Opportunities					
1	O1	0,053	4,3	0,23	2,7	0,14
2	O2	0,054	4,3	0,23	2,7	0,15
3	O3	0,057	4,3	0,24	2,7	0,15
4	O4	0,069	4,2	0,29	3,8	0,26
5	O5	0,062	3,3	0,20	3,2	0,20
6	O6	0,063	4,3	0,27	3,3	0,21
	Threats					
1	T1	0,036	3,7	0,13	3,8	0,14
2	T2	0,047	4,2	0,20	4	0,19
3	T3	0,048	4,2	0,20	4	0,19
	Total			2,00		1,62

By flanking attack, CSL should enter a country/market segment with less presence/share of big smartcard manufacturers. CSL also should penetrate by offering its strong products or services which less share of the leader. CSL should consider much on its resources and capabilities while attacking segment which has a presence of market leader, even it is not strong. CSL also should try to hide from its competitor while in preparation to surprise the leader to avoid fast retaliation.

International corporate-level strategy and entry mode

After determining its positioning and attack strategies, by the questionnaire and macro economic indicators, CSL could apply global strategy which allowing having interdependent business unit and also enjoying economies of scale.

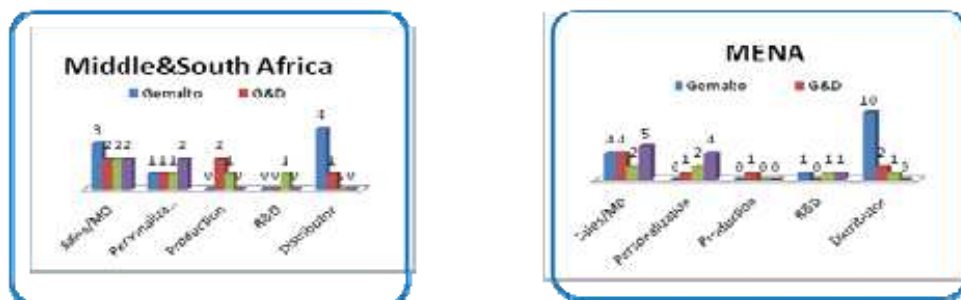


Figure 3. Big manufacturers presence

For entering those regions, CSL could open sales/marketing office in Dubai as the initial step to capture opportunities in those regions. After IPO, CSL could have joint venture/wholly owned subsidiary by developing production, personalization and R&D facilities in Morocco.

Key Priorities

Based on the resources, capabilities and core competencies and macro economic and smartcard technology analysis, there are some key priorities for CSL while expanding market abroad:

1. Delivering high quality smartcard products and solution for MENA, Middle-South Africa and/or South Asia
2. Having strong international marketing by opening sales office in Dubai
3. Having strong financial support for its sales office and investing in Morocco
4. Attacking market/segment which less presence of market leader in the regions
5. Having benefits from its economies of scale while expanding its market.

Scope of Actions

After choosing the strategies, the next step is to set up action plan after EMV and SAS certification:

1. CSL should strengthening its resources and capabilities especially R&D
2. CSL should find local or global partner to open sales office in Dubai which has good market analysis and networking.
3. The partner must also be able to support CSL financial ability. For investing in production, personalization and/or R&D facilities in Morocco, CSL must do IPO or finding strong partner.
4. By its sales/marketing office in Dubai, CSL could find market/segment with less share of market leader.

4. Business Implementation

Those strategies can be implemented based on financial condition of CSL:

Before Initial Public Offering

For current condition which has limited financial support for expansion, CSL should have effective strategies and less cost entry mode. MENA has strategic location close to big market Africa and have advanced infrastructure. Author suggest CSL to penetrate into this region by opening sales/marketing office.

Strategies for this region are offering smartcard product and services (variety-based positioning) and flanking attack to UAE which has no smartcard production facilities of the competitors. It is flanking because CSL will attack on the country which less presence of smartcard leader by its sales/marketing office in Dubai (geographical flanking). CSL will use global strategy for its sales/marketing office which has more control to this unit business.

After Initial Public Offering

While keep exporting to its customer in MENA or other regions, CSL head office in Jakarta could preparing for IPO in 2014. Its sales office in Dubai keep analysing and preparing for investing in Morocco. This preparation and due diligence report will give value added for CSL in the IPO for investor point of view in 2014. After the succeed IPO, CSL could start to build its production, personalization, or R&D facilities.

By this investment, CSL could provide various product and services and also solution for Middle and South Africa market, and also supporting its sales office in Dubai. By flanking attack to these regions, CSL would have benefit from its economies of scale and also competitive advantage among its competitors.

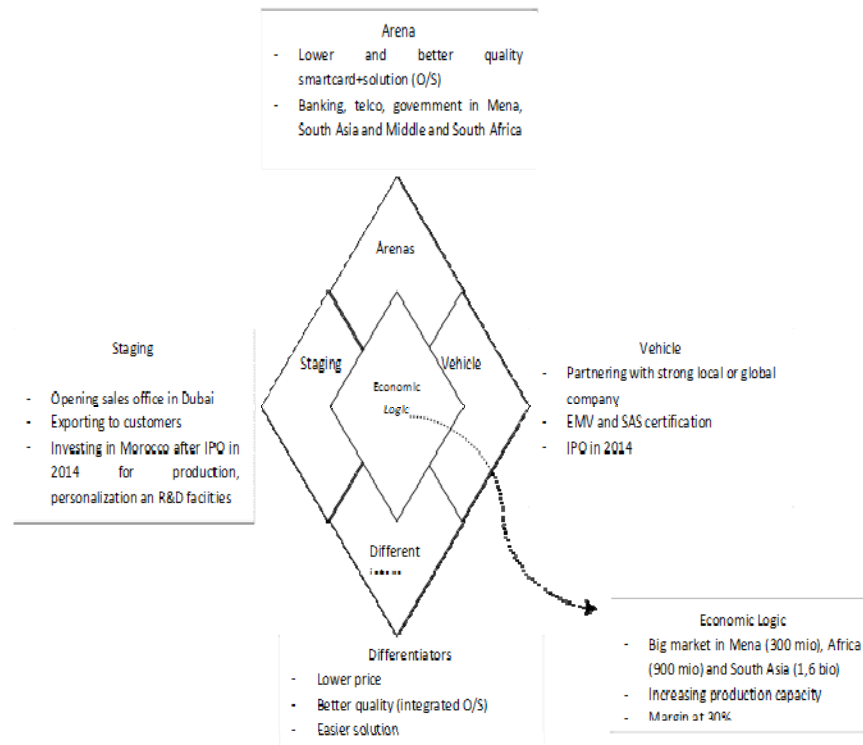


Figure 4. Five Major-Elements of Strategy

5. Conclusion and Recommendation

Conclusion

After analysing its internal strength-weaknesses, external opportunities-threat, the questions could be answered:

1. Variety-based positioning is the best positioning strategy for CSL in competing with global smartcard manufacturers by offering various smartcard products and solutions for various applications which has relatively lower price and better quality.
2. Flanking attack is most suitable strategy for CSL while entering countries/ markets/segments by attacking competitors with less presence or less market share percentage. It can be based on the location by entering a country with less share of the leader, or based on product which leader has less percentage of share. This strategy also must be supported by strong resources, capabilities and core competencies. CSL also must surprise the leader in the market to avoid retaliation.
3. Global strategy is most suitable for CSL to have control on its business unit abroad and also allowing to have benefit from economies of scale. Each business unit abroad will have synergized and cooperated for invention.
4. Entry mode for CSL before IPO is joint venture with local/global partner to open sales office in Dubai. It is suitable with the less financial support at the moment which having less cost. After IPO, CSL could investing on its business unit in Morocco.

Recommendation

From this final project analysis, author highly recommend:

1. CSL must focus on variety-based positioning while offering its smartcard products and services in Middle East and North Africa, Middle and South Africa and also South Asia for various application,

- including telco (3G/4G), banking payment (EMV migration), government projects (Secure ID), transportation and health.
2. CSL should have strong international division and also representative in those regions to catch the opportunities
 3. CSL must start to find strong partner from UAE or other country to open a sales office in Dubai. CSL could contact Indonesian Consulate General for finding good and reliable partners.
 4. CSL could start to prepare any changes for fulfilling the requirement for IPO in Indonesia. CSL also must conduct general meeting of shareholders for getting approval.
 5. The implementation timeline will be based on the implementation planning.
 6. Future research could be conduct for CSL:
 - a. Developing smartcard raw-material production facilities in Indonesia
 - b. Global Alliance member benefit for CSL as multinational company

Reference

- Gemalto Annual Report 2011,
(http://www.gemalto.com/investors/2011_annual_report/index.html)
- Giescke & Devrient Annual Report 2011,
(http://www.gide.com/gd_media/media/en/documents/brochures/corporate/GD_Geschaeftsbericht_2011.pdf)
- Hambrick, Donald C., & Fredrickson, James W., "Are You Sure You have A Strategy?", Academy of Management Executive, 2005, Vol. 19, No. 4
- Henry, Anthony E., "Understanding Strategic Management, 2nd Edition", 2011, Oxford University Press
- Oberthur Technologies Annual Report 2011,
(http://www.oberthur.com/UserFiles/File/Sustainabilty%20Report/OT_SustainabilityReport-191211.pdf)
- Porter E. Michael, "What is Strategy", 1996, Harvard Business Review, 74(6), 61-78
- Safran-Morpho Annual Report 2011, (http://www.safran-group.com/IMG/pdf/SAFRAN_RA_2011_GB.pdf)
- Undang-undang No 5, Taun 1999, tentang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat, (www.kppu.go.id/docs/UU/UU_No.5.pdf)
- Vasconcellos e Sá, Jorge A. De, "Strategy Moves: 14 Complete Attack and Defense Strategies for Competitive Advantage", 2005, FT Press
- www2.clsgroup.co.id